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E.O. 11652: GDS

TAGS: EEC, PFOR, GR

SUBJECT: ACCELERATED GREEK MEMBERSHIP IN EC

REF: STATE 151770

1. INTRODUCTION AND SUMMARY-FOLLOWING REPORT IS BASED ON ANALYSIS OF PUBLISHED DOCUMENTS AND DATA AS WELL AS RECENT EMBASSY CONTACTS WITH MINISTRIES OF COORDINATION, INDUSTRY, AND AGRICULTURE; CENTER OF PLANNING AND ECONOMIC RESEARCH; MEMBERS OF PARLIAMENT (INCLUDING LEADER OF GREEK DELEGATION TO MIXED GREEK-EC PARLIAMENTARY COMMITTEE JOHN PESMAZOGLOU); AGRICULTURAL COOPERATIVES; GREEK FEDERATION OF INDUSTRIES; ATHENS CHAMBER OF COMMERCE AND INDUSTRY; AND LOCAL BUSINESSMEN. CONSENSUS IN GREECE IS THAT BOTH ECONOMIC AND POLITICAL BENEFITS OF EARLY MEMBERSHIP CLEARLY OUTWEIGH DISADVANTAGES, AND THAT EARLY MEMBERSHIP SHOULD NOT NECESSARILY MEAN A SIGNIFICANT ACCELERATION OF SCHEDULE FOR DISMANTLING OF TRADE BARRIERS AFFECTING EC PRODUCTS PROVIDED FOR BY TREATY OF ATHENS. EMBASSY JUDGMENT IS THAT, WHILE SOME INDUSTRIAL AND AGRICULTURAL PRODUCTION UNITS MAY SUFFER BECAUSE OF EC COMPETITION, THE ECONOMY AS A WHOLE WILL BENEFIT FROM THE STIMULUS TO THE MORE EFFICIENT SECTORS. THERE IS AWARENESS IN BOTH GOVERNMENT AND

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PRIVATE SECTOR OF THE NEED FOR SIGNIFICANT INVESTMENT TO

UPGRADE PRODUCTIVITY AND ACHIEVE ECONOMIES OF SCALE. EMBASSY NOTES THAT CERTAIN DOMESTIC CONDITIONS AND/OR REQUIREMENTS MAY NOT BE CONSISTENT WITH CREATION OF AN OPTIMAL CLIMATE FOR PRIVATE FOREIGN INVESTMENT-E.G., THE RENEGOTIATION OF CERTAIN CONTRACTS FROM THE JUNTA PERIOD, THE FREQUENT LACK OF COORDINATION AMONG BUREAUCRATIC BODIES RESPONSIBLE FOR APPROVING AN INVESTMENT PROJECT, AND THE RECENT WAVE OF LABOR UNREST AFFECTING, AMONG OTHERS, IMPORTANT U.S. COMPANIES. TOP LEVEL OF GOVERNMENT, HOWEVER, NOTABLY COORDINATION MINISTER PAPALIGOURAS, IS CERTAINLY AWARE OF IMPORTANCE OF ATTRACTING FOREIGN INVESTMENT AS SOURCE OF BOTH CAPITAL AND TECHNOLOGY, AND EMBASSY BELIEVES THAT THE EXIGENCIES OF GUIDING THE GREEK ECONOMY INTO THE EC WILL SERVE TO STIMULATE GOVERNMENT EFFORTS TO IMPROVE FOREIGN INVESTMENT CLIMATE. STRUCTURAL ADJUSTMENT PROBLEMS, ESPECIALLY IN AGRICULTURE, MAY TURN OUT TO BE MORE CHALLENGING THAN MANY OFFICIAL GREEKS, IN CURRENT MOOD OF EUPHORIA, CONCEDE PUBLICLY; GREEK FARMERS, FOR EXAMPLE, MAY WELL CAUSE SOME POLITICAL TREMORS REFLECTING THEIR INEVITABLE SHORT-RUN ADJUSTMENT PAINS. ON BALANCE, EMBASSY FEELS THAT, ASSUMING A REASONABLE TRANSITION PERIOD, AND GIVEN THE EVIDENT POLITICAL WILL AND DETERMINATION OF BOTH GOVERNMENT AND PRIVATE SECTOR, GREEK ECONOMY WILL SUCCESSFULLY ACHIEVE INTEGRATION INTO EC WITHOUT SERIOUS DISLOCATIONS. END SUMMARY

2. ONE PROBLEM IN COMPILING RESPONSE TO REFTEL IS SURPRISING LACK OF HARD DATA AVAILABLE ON POTENTIAL EFFECTS OF FULL MEMBERSHIP. GOVERNMENT AGENCIES ARE JUST BEGINNING TO GEAR UP FOR CLOSE EXAMINATION OF RAMIFICATIONS AND, AT THIS POINT, AUTHORITIES DO NOT EVEN SEEM ABLE TO IDENTIFY WITH PRECISION OR REASONABLE CERTITUDE THE SECTORS OF GREEK ECONOMY WHICH ARE MOST LIKELY TO SUFFER ADVERSE CONSEQUENCES FROM EARLY MEMBERSHIP, OR EVEN FROM 1984 COMPLETION OF CUSTOMS UNION. RESPONSES IN PARA. 3, THEN, REPRESENT PRELIMINARY IMPRESSIONS, WHICH WILL HAVE TO BE REFINED AND CLARIFIED AS GREECE PREPARES FOR NEGOTIATIONS WITH EC, AND AS THE NEXT CHAPTERS OF THE STORY UNFOLD. FOLLOWING PARAGRAPHS ARE KEYED TO QUESTIONS IN PARA. 2 OF REFTEL.

3. (A) (1) TIMETABLE-PREFERRED SCENARIO FOR FULL MEMBERSHIP, FROM GREEK POINT OF VIEW, IS AS FOLLOWS: COMMENCEMENT
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OF NEGOTIATIONS IN EARLY 1976, WITH ONE TO 1 1/2 YEARS REQUIRED FOR COMPLETION, PLUS ADDITIONAL YEAR FOR RATIFICATION PROCESS, AFTER WHICH GREECE BECOMES FULL MEMBER. FOR 5 YEARS AFTER FULL MEMBERSHIP IS ACHIEVED, GREECE WOULD ENJOY BENEFITS OF SPECIAL TRANSITIONAL PERIOD, BASED ON BRITISH, IRISH, DANISH PRECEDENT. ALTHOUGH GREEKS HAVE ONLY NOW BEGUN SERIOUSLY TO CONSIDER THE MANY COMPLEX TECHNICAL PROBLEMS WHICH EARLY MEMBERSHIP POSES, IT APPEARS THAT THEY DO NOT ENVISION A

SIGNIFICANTLY ACCELERATED DISMANTLING OF CURRENT PROTECTIONIST MECHANISM. EARLIEST POSSIBLE EXPIRY OF 5-YEAR TRANSITION, EVEN BY GREEK ESTIMATES, IS 1983, ONLY A YEAR BEFORE ORIGINALLY PLANNED COMPLETION OF CUSTOMS UNION. MORE SKEPTICAL OBSERVERS, GREEK AND FOREIGN, DOUBT THAT NEGOTIATIONS AND RATIFICATION CAN BE COMPLETED IN LESS THAN THREE YEARS, EVEN ASSUMING POSITIVE EC REPLY.

(2) MOTIVATION-BOTH POLITICAL AND ECONOMIC FACTORS HAVE PLAYED A ROLE IN MOTIVATING GOG TO MOVE TOWARD EARLY FULL MEMBERSHIP, BUT EVEN ECONOMIC EXPERTS IN GOVERNMENT CONCEDE THAT OVERRIDING CONSIDERATION IS PM CARAMANLIS' PREOCCUPATION WITH MAKING GREECE A PART OF WESTERN EUROPE, A STEP WHICH HE REPORTEDLY REGARDS AS AN ESSENTIAL SUPPORTIVE ELEMENT IN THE NURTURING OF A STABLE GREEK DEMOCRACY. CARAMANLIS AND OTHER GREEK LEADERS HAVE SHREWDLY EMPHASIZED THIS POINT, AS WELL AS THE THEME OF EUROPEAN UNITY, IN THEIR CONTACTS WITH DECISION-MAKERS FROM THE EC COUNTRIES-AND NEITHER OF THESE REASONS IS LIKELY TO BE PUBLICLY CHALLENGED BY REPRESENTATIVES OF THE NINE. FROM THE ECONOMIC PERSPECTIVE, THE GOG HAS TAKEN THE PUBLIC STAND THAT EARLY MEMBERSHIP WILL ENABLE GREECE TO MAKE UP FOR TIME LOST IN THE EVOLUTION OF ITS RELATIONSHIP WITH THE EC DURING THE JUNTA YEARS. GOVERNMENT OFFICIALS READILY ADMIT THAT THE FINANCIAL ASSISTANCE WHICH FULL MEMBERSHIP OFFERS-PARTICULARLY FROM REGIONAL AND AGRI-CULTURAL DEVELOPMENT FUNDS-IS A FACTOR. IN ADDITION, OF COURSE, FULL MEMBERSHIP WOULD PROVIDE GREECE WITH GREATER INFLUENCE IN EC DECISIONS AND GREATER LEVERAGE IN SEEKING FUTURE ASSISTANCE

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(B) EFFECTS ON U.S. COMMERCIAL INTERESTS-THERE IS LITTLE HARD EVIDENCE AT THE PRESENT TO SUGGEST THAT GREEK MOVEMENT TOWARDS FULL MEMBERSHIP WILL HAVE A SIGNIFICANTLY ADVERSE EFFECT ON U.S. COMMERCIAL INTERESTS IN GREECE. AFTER THIRTEEN YEARS OF EVOLUTION, IT IS PROBABLY THAT MOST OF THE TRADE EFFECT OF THE CUSTOMS UNION HAS ALREADY BEEN FELT. AT THE PRESENT TIME, IT APPEARS THAT OTHER FACTORS, SUCH AS TRANSPORTATION CHARGES, AVAILABILITY OF SUPPLIER'S CREDITS, DELIVERY SCHEDULES, AND PRODUCT RECOGNITION, EXERT GREATER INFLUENCE ON CUSTOMER PREFERENCE THAN TARIFF DIFFERENTIAL. DOLLAR DEVALUATION HAS ALSO SERVED TO COUNTERBALANCE EC TARIFF CUTS. MOREOVER, SINCE IT APPEARS THAT GREEKS INTEND TO PUSH HARD TO MAINTAIN SCHEDULE FOR COMPLETION OF CUSTOMS UNION CLOSE TO THAT ORIGINALLY PROVIDED BY TREATY OF ATHENS, EMBASSY FORESEES NO PRECIPITOUS CHANGE IN MARKET CONDITIONS IN NEAR FUTURE. ON THE OTHER HAND, GREEK COMPETITION COULD CAUSE SOME PROBLEMS FOR SUCH U.S. AGRICULTURAL EXPORTS TO EC AS RAISINS, CITRUS, AND TOBACCO (ESPECIALLY, OVER THE LONG TERM, FOR FLUE-CURED TOBACCO)-PARTICULARLY IF GREEK QUALITY IMPROVES AND VOLUME EXPANDS. ONE ASPECT OF OUR BILATERAL COMMERCIAL RELATIONSHIP WHICH MAY BE AFFECTED BY EARLY MEMBERSHIP IS GREEK ELIGIBILITY FOR GSP (SEE ATHENS 5570).

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(C) (1) PROTECTION FOR GREEK PRODUCTS-THE FINAL STEP IN THE ELIMINATION OF TARIFFS FOR EC-ORIGIN PRODUCTS INCLUDED IN THE ASSOCIATION AGREEMENT'S 12-YEAR LIST, AND THE ADJUSTMENT TO THE CXT OF GREEK TARIFFS ON THESE PRODUCTS VIS-A-VIS OTHER COUNTRIES, WAS ACCOMPLISHED IN NOVEMBER 1974. IN NOVEMBER 1975, TARIFFS ON EC PRODUCTS ON THE 22-YEAR LIST (WHICH INCLUDES PRACTICALLY ALL IMPORTANT GREEK INDUSTRIAL PRODUCTS) WILL BE REDUCED BY AN ADDITIONAL 8 PERCENT, BRINGING THE TOTAL REDUCTION TO 44 PERCENT. A COMPLETE LIST OF THE INDUSTRIES PROTECTED IS INCLUDED IN ANNEX I OF THE ASSOCIATION AGREEMENT, AND PROTOCOL 13, WHICH PROVIDES FOR THE INCLUSION OF A LIMITED NUMBER OF ANNEX II LIVESTOCK AND DAIRY PRODUCTS. AMONG THE WIDE VARIETY OF PRODUCTS PROTECTED BY THE 22-YEAR LIST ARE: TOBACCO, CHEMICALS, PHARMACEUTICALS, MINERAL PRODUCTS, FERTILIZERS, PAPER AND PAPERBOARD, TEXTILES, FOOTWEAR, BUILDING MATERIALS, BASE METALS, MACHINERY, MECHANICAL APPLIANCES, ELECTRICAL EQUIPMENT; AND CERTAIN IRON AND STEEL PRODUCTS.

(2)INFANT INDUSTRY-ARTICLE 18 OF THE ASSOCIATION AGREEMENT, PERMITTING GOG TO ERECT "INFANT INDUSTRY" TARIFF BARRIERS, WAS SCHEDULED TO EXPIRE IN 1974, BUT THE EC HAS AGREED TO EXTEND IT THROUGH OCTOBER 30, 1980. (SUCH DUTIES MAY NOT EXCEED 20 PERCENT AS VALOREM, AND MAY NOT REMAIN IN FORCE FOR MORE THAN NINE YEARS-AND UNDER NO CIRCUMSTANCES BEYOND OCTOBER 30, 1984). LOCAL TIRE MANUFACTURERS ARE THE MOST SIGNIFICANT OF THE VERY LIMITED NUMBER OF PRODUCERS PRESENTLY QUALIFYING FOR SUCH PROTECTION.

(3) ADJUSTMENT TO PHASING OUT OF TARIFF BARRIERS ON EC INDUSTRIAL PRODUCTS-THE CARAMANLIS GOVERNMENT HAS NOT YET GIVEN DETAILED CONSIDERATION TO THE PROBLEMS WHICH GREEK INDUSTRY WILL FACE IN ADJUSTING TO EITHER 1984 OR A SLIGHTLY EARLIER DISMANTLING OF PROTECTIVE TARIFFS. (AS INDICATED ABOVE, NO DRASTIC CHANGE IN THE PHASING OUT OF THE 22-YEAR LIST IS FORESEEN). THE GENERAL ATTITUDE AMONG GOVERNMENT OFFICIALS, BUSINESS MEN AND ACADEMICIANS SEEMS TO BE THAT SOME GREEK INDUSTRY COULD BE HURT BUT, ON BALANCE, ASSUMING AN ADEQUATE TRANSITIONAL PERIOD, ADJUSTMENT WILL BE A MANAGEABLE PROBLEM, AND OVERALL EFFECT WILL BE BENEFICIAL. GOVERNMENT AND BUSINESS LEADERS CONCEDE THAT SERIOUS STRUCTURAL PROBLEMS

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EXIST IN THE INDUSTRIAL SECTOR, AND THAT THERE IS A GREAT NEED FOR MODERN TECHNOLOGY AND MANAGEMENT PRACTICES, A REFORM OF GOVERNMENT'S INCENTIVES POLICY, AND THE DEVELOPMENT OF OPTIMAL SIZE BUSINESS UNITS. THE GENERAL CONSENSUS AMONG THESE OPINION LEADERS IS THAT THE FIRM TARGET OF UNCONDITIONAL PARTICIPATION IN EC, LOOMING ON THE HORIZON WITHIN 8 OR 9 YEARS WHATEVER THE TIMING OF FULL MEMBERSHIP, WILL SERVE AS A STIMULUS TO BOTH GOVERNMENT AND BUSINESS TO UNDERTAKE SERIOUS REVIEW AND REVISION OF POLICY AND PRACTICES. GENERALLY ACCEPTED VIEW AT PRESENT IS THAT 5-YEAR TRANSITION WILL BE SUFFICIENT TO WORK OUT ANY MAJOR ADJUSTMENTS. AS IN MOST OTHER ASPECTS OF QUESTION, NO DETAILED INFORMATION HAS YET BEEN COMPILED ON POTENTIAL EFFECT OF PHASING OUT OF TARIFFS ON EC INDUSTRIAL PRODUCTS. IN NEAR FUTURE, AN INTER-AGENCY WORKING GROUP, WITH PARTICIPATION OF LOCAL INDUSTRIALISTS, WILL EXAMINE THIS SUBJECT. ON VERY PRELIMINARY BASIS, MINISTRY OF INDUSTRY OFFICIALS BELIEVE EFFECT WILL BE MORE NEGATIVE ON HEAVY THAN LIGHT INDUSTRY. OF PRIMARY CONCERN IS STEEL INDUSTRY; OTHER PROBLEM AREAS INCLUDE CHEMICALS AND METAL INDUSTRY GENERALLY. ON THE OTHER HAND, OFFICIALS OF SUCH COMPANIES AS HELLENIC STEEL, METKA (STRUCTURAL STEEL) AND ETHYL EXPRESSED CONFIDENCE CONCERNING EFFECTS ON THEM OF EC INTEGRATION.

(4) NON-TARIFF TRADE BARRIERS-GREEK INDUSTRY ALSO ENJOYS CERTAIN NON-TARIFF PROTECTION. COMMODITIES INCLUDED

ON MINISTRY OF COMMERCE'S LIST A (MOSTLY LUXURY ITEMS OR ARTICLES CONSIDERED TO BE ADEQUATELY PRODUCED IN GREECE) ARE SUBJECT TO AD HOC APPROVAL BY MINISTRY. LIST B PROTECTS CERTAIN LOCALLY PRODUCED INDUSTRIAL PRODUCTS (E.G., PUMPS, TRANSFORMERS, AIR-COOLED DIESEL ENGINES, WOOD-WORKING MACHINERY), AND IS RIGOROUSLY APPLIED. OTHER ADMINISTRATIVE MECHANISMS INCLUDE IMPORT PRE-PAYMENTS, DESIGNED TO DISCOURAGE THE IMPORTATION OF A WIDE VARIETY OF LUXURY ITEMS AND CONSUMER GOODS. GREEK OFFICIALS DO NOT SEEM TO HAVE GRAPPLED WITH THE FUTURE OF THESE ADMINISTRATIVE DEVICES, WHETHER OR NOT THEY MUST BE PHASED OUT, OR WHETHER SUCH A DISMANTLING MIGHT BE DONE ON A NON-DISCRIMINATORY BASIS. THEY SEE THIS AS ONE OF MANY PROBLEMS WHICH WILL HAVE TO BE IRONED OUT DURING THE NEGOTIATIONS. THEY ARE VERY MUCH AWARE THAT THEIR ITALIAN NEIGHBORS SUCCESSFULLY APPLIED SPECIAL ANTI-CONFIDENTIAL

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IMPORT MEASURES TO DEAL WITH THEIR RECENT BALANCE OF PAYMENTS CRISIS WITHOUT SERIOUS OPPOSITION FROM THEIR EC PARTNERS.

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(D) GREEK GROSS DOMESTIC PRODUCT (GDP)-WITH RESPECT TO PERCENTAGE OF TOTAL GREEK GDP CONTRIBUTED BY PORTION OF MANUFACTURING SECTOR PROTECTED AGAINST COMPETITIVE EC IMPORTS, NO OFFICIAL GOG FIGURES AVAILABLE. PRELIMINARY ANALYSIS BY EMBASSY PLACES LEVEL AT ABOUT 20 PERCENT. EMBASSY ESTIMATES THAT OVER 85 PERCENT OF TOTAL MANUFACTURING OUTPUT IN 1974 ATTRIBUTABLE TO PROTECTED SECTOR.

(E) (1) WORK FORCE-1971 CENSUS SHOWED 1.33 MILLION WORKERS, 40 PERCENT OF TOTAL, IN PRIMARY SECTOR. SECONDARY SECTOR REACHED 25 PERCENT INCLUDING 16 PERCENT IN MANUFACTURING, 8 PERCENT IN CONSTRUCTION, AND BARELY OVER ONE PERCENT IN OTHER AREAS. RECENT ESTIMATES SHOW SOME DECLINE BY 1975 IN PRIMARY WORK FORCE (TO 38 PERCENT OF TOTAL), AND CONTINUED GROWTH IN SECONDARY SECTOR (TO OVER 26 PERCENT). THE MOST SCIENTIFICALLY COMPILED DATA ON WORK FORCE IN 1980'S WHICH IS AVAILABLE IS CONTAINED IN KEPE'S 1972 PERSPECTIVE DEVELOPMENT PLAN OF GREECE, WHICH FORECASTS PRIMARY WORK FORCE OF 800,000, 20 PERCENT OF TOTAL, IN 1987; AND SECONDARY AT 1.3 MILLION, ALMOST 1/3 OF TOTAL WORK FORCE, WITH LARGEST CONCENTRATION IN MANUFACTURING (745,000, ABOUT 19 PERCENT OF TOTAL LABOR FORCE).

(2) COMPOSITION OF EXPORTS-GREECE'S 1974 EXPORTS,
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WORLDWIDE, IN PERCENTAGES OF TOTAL, WERE AS FOLLOWS:

1) INDUSTRIAL AND HANDICRAFT-46 PERCENT; 2) FOODSTUFFS AND BEVERAGES-23PERCENT; 3) TOBACCO-9 PERCENT; 4) PETROLEUM PRODUCTS-7 PERCENT; 5) RAW MATERIALS AND SEMI-MANUFACTURED PRODUCTS-7 PERCENT; 6) ORES AND MINERALS-6 PERCENT; AND 7) OTHER-2 PERCENT. THE EMBASSY IS NOT AWARE OF ANY STUDY OF EXPECTED CHANGES IN THE COMPOSITION OF EXPORTS BY 1984. BASED ON VARIOUS PUBLIC STATEMENTS OF KEY CARAMANLIS GOVERNMENT OFFICIALS, THE EMBASSY FORESEES A TREND TOWARDS GREATER VALUE ADDED IN GREEK INDUSTRY, IN GENERAL, AND HENCE AN INCREASE IN THE PERCENTAGE OF INDUSTRIAL EXPORTS, WITH SOME RELATIVE DECLINE IN ORES AND MINERALS, RAW MATERIALS, AND SEMI-MANUFACTURED GOODS. MINISTRY OF INDUSTRY OFFICIALS BELIEVE THAT THIS TCHANGE WILL BE LESS DUE TO ANY DRAMATIC SHIFT IN COMPOSITION OF EXPORTS TO EC, THAN TO OPENING UP OF NEW MARKETS, PARTICULARLY IN ARAB WORLD. THE GOG VERY DEFINITELY HOPES FOR INCREASED AGRICULTURAL EXPORTS AS WELL, PARTICULARLY TO THE EC, AND WILL PROBABLY CONCENTRATE ITS EFFORTS IN THE AREA OF PROCESSED AGRICULTURAL PRODUCTS, E.G., FRESH FRUITS AND VEGETABLES, FRUIT AND VEGETABLE JUICES, CANNED AND FROZEN FRUITS AND VEGETABLES, DEHYDRATED VEGETABLES, COTTON TEXTILES, WINE, AND TINNED READY-COOKED FOODS. THE RELATIVE CONTRIBUTION TO THE TOTAL OF MORE TRADITIONAL CROPS, SUCH AS OLIVE OIL, RAISINS AND TOBACCO, IS LIKELY TO DELINE.

(F) MIGRANT LABOR-THERE IS NOT NOW ANY PROVISION FOR BLANKET FREE ENTRY INTO THE EC FOR GREEK LABOR. TREATY OF ATHENS (ARTICLE 44 FF) PROVIDED THAT FREE LABOR ENTRY COULD NOT BE ACCOMPLISHED BEFORE 1974, AND VIEW HELD BY GREEK EXPERTS IS THAT, ALTHOUGH NO TIME FRAME IS EXPLICITLY SET OUT IN ASSOCIATION AGREEMENT, 1984 SHOULD BE OUTER TIME LIMIT. ASSUMPTION IN GOG NOW IS THAT FREE ENTRY WOULD TAKE EFFECT AT TIME OF FULL MEMBERSHIP. GREECE HAS BILATERAL AGREEMENTS ON LABOR MOVEMENT WITH FOUR EC MEMBERS: FRB, FRANCE, BELGIUM, AND THE NETHERLANDS. FRG HOSTS BY FAR THE LARGEST NUMBER OF GREEK MIGRANT WORKERS, 225,000 AS OF SEPTEMBER 1974, APPROXIMATELY 85 PERCENT OF ALL GREEK WORKERS IN EC COUNTRIES. IN NOVEMBER 1973, FRG SUSPENDED AGREEMENT DUE TO GERMAN ECONOMIC SLOWDOWN.

(G) (1) AGRICULTURAL SUPPORT MECHANISM- GREEK
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AGRICULTURE IS SUPPORTED BY A VARIETY OF GOVERNMENT PROGRAMS, WHICH AFFECT MOST COMMODITIES. PROGRAMS INCLUDE (IN VARIOUS COMBINATIONS): GOVERNMENT-ESTABLISHED MINIMUM FARM PRICES; PER-UNIT-PRODUCED SUBSIDIES (AGRICULTURAL ATTACHE REPORT GR 5003, 29 JAN. 1975, PAGE 11, CONTAINS A COMPREHENSIVE LISTING OF MINIMUMS AND SUBSIDIES IN EFFECT AS OF JANUARY 1, 1975); SPECIAL EXPORT SUBSIDIES; SUBSIDIZATION TO ENCOURAGE CAPITAL INPUT SUCH AS BUILDINGS, MACHINERY AND EQUIPMENT, ORCHARD ESTABLISHMENT, ETC.; AND SUBSIDIZATION OF PRODUCTION INPUTS SUCH AS FERTILIZERS, PESTICIDES AND ENERGY SOURCES. GREEK MINISTRY OF AGRICULTURE SOURCES ASSERT THAT FARM SUPPORT MECHANISM IS LOWER THAN THAT OF THE COMMUNITY. THEY FORESEE GRADUAL EQUALIZATION AS GREECE ATTAINS FULL EC MEMBERSHIP.

(2) PROBLEMS IN ADJUSTMENT PROCESS-PROCESS HAS ALREADY BEGUN FOR INTEGRATION OF FRUITS AND VEGETABLES WITHIN CAP, AND CLEARER PICTURE OF DIFFICULTIES WHICH GREECE WILL ENCOUNTER, IN GENERAL, WILL EMERGE AS THESE DELIBERATIONS UNFOLD. GENERAL CONSENSUS, AT PRESENT, SEEMS TO POINT TO LIVESTOCK PRODUCTS, ESPECIALLY MILK AND RED MEAT, AS MOST DIFFICULT FOR CAP ADJUSTMENT, BECAUSE OF WIDE MARGIN BETWEEN EC AND GREEK LEVELS OF DEVELOPMENT IN THIS AREA. PRODUCTION COSTS ARE HIGH IN GREECE AND PRICE SUPPORT MECHANISM IS VERY COMPLICATED. TOBACCO AND WINE WILL BE DIFFICULT BECAUSE OF EC COMPETITION. HIGH COST OF PRODUCTION, WHICH HAS RESULTED IN SUBSTANTIAL PRODUCTION AND EXPORT SUBSIDIES, WILL MEAN PROBLEM FOR CITRUS. SUGAR ADJUSTMENT WILL ALSO POSE DIFFICULTIES SINCE GOVERNMENT-OPERATED MONOPOLY IS OPERATING AT HIGH PRODUCTION COST. IN FACT, IN MANY AREAS GOG PROVIDES HIGH RATE OF SUBSIDIZATION FOR BOTH PRODUCTION AND TRADE, AND ENTIRE SYSTEM WILL HAVE TO BE ADJUSTED TO

CONFORM TO EC PROCEDURES. IN ADDITION, GENERAL LACK OF
QUALITY CONTROL STANDARDS AND HAPHAZARD ENFORCEMENT OF
REGULATIONS WHICH DO EXIST PROMISE PROTRACTED NEGOTIATIONS IN
ORGANIZING CAP ADJUSTMENT. SENIOR COORDINATION MINISTRY
OFFICIAL RECENTLY COMMENTED IN PRIVATE THAT ONE OF THE MOST
DIFFICULT AND TIME-CONSUMING ASPECTS OF MOVEMENT TOWARD FULL
MEMBERSHIP WILL BE ATTEMPT TO ORGANIZE GREEK AGRICULTURE
TO CONFORM WITH MYRIAD RULES AND REGULATIONS WHICH
AGRICULTURAL INTEGRATION WILL ENTAIL.
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(3) ADVANTAGES FOR AGRICULTURE-WITH RESPECT TO
ADVANTAGES OF FULL MEMBERSHIP FOR GREEK FARMERS, GREEKS
BELIEVE THAT MARKET POSITION OF CERTAIN PRODUCTS (E.G., FRUITS
AND WINES) WILL BE IMPROVED BY LIFTING OF EC RESTRICTIONS,
SUCH AS COUNTERVAILING DUTIES AND QUANTITATIVE RESTRICTIONS
WHICH ARE CURRENTLY APPLIED, AND THAT HIGHER SUPPORT LEVELS
WILL BOOST FARM INCOME GENERALLY. GREEKS ARE PARTICULARLY
EAGER TO AVAIL THEMSELVES OF POTENTIAL FINANCIAL BENEFITS

TO AGRICULTURAL SECTOR, AND ARE ALSO INTERESTED IN TECHNOLOGICAL ASSISTANCE. EUROPEAN REGIONAL FUND ASSISTANCE WOULD FOSTER INFRASTRUCTURE DEVELOPMENT IN GREECE'S MOST DEPRESSED RURAL AREAS. THE EUROPEAN AGRICULTURAL GUIDANCE AND GUARANTEE FUND (FEOGA) IS SEEN AS MAJOR ELEMENT IN FURTHERING ADJUSTMENT OF GREEK AGRICULTURE TO EC CONDITIONS. DIRECTOR GENERAL OF ASSOCIATION OF FARMERS COOPERATIVES REPORTED TO EMBREP THAT PM CARAMANLIS PERSONALLY MENTIONED AT MEETING WITH COOP MEMBERS THAT GOG ANTICIPATES \$550 MILLION (50 PERCENT LOAN-50 PERCENT GRANT) IN FEOGA ASSISTANCE TO THIS END. WHATEVER LEVEL OF SUCH FUNDING EVENTUALLY MATERIALIZES, IT WILL UNDOUBTEDLY MAKE A MAJOR CONTRIBUTION BY FOSTERING THE INTRODUCTION OF MODERN TECHNOLOGY TO THE GREEK AGRICULTURAL SECTOR.

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(H) WINES- GREEK MINISTRY OF AGRICULTURE AND OTHER LOCAL EXPERTS ARE CONFIDENT THAT EC WINES WOULD NOT MAKE SERIOUS INROADS INTO LOCAL MARKET, EVEN WITH TERMINATION OF CURRENT TARIFF PROTECTION, BECAUSE OF PRICE DIFFERENTIAL FAVORING LOCAL WINES. WITH RESPECT TO GREEK WINE EXPORTS TO EC, GREEK EXPECTATION, WHICH MAY NOT BE SHARED ON EC SIDE, IS THAT, DUE TO SMALL PERCENTAGE OF EC WINE CONSUMPTION ACCOUNTED FOR BY GREEK WINE, FREE ACCESS WILL NOT POSE ANY PROBLEM FOR EC. LOCAL ESTIMATE OF GREEK SHARE OF CURRENT EC WINE CONSUMPTION IS ABOUT ONE PERCENT, BUT GREECE ALREADY HAS CAPACITY TO INCREASE ITS ANNUAL LEVEL OF EXPORTS TO EC OF 100,000 METRIC TONS BY AT LEAST 50 PERCENT.

(I) U.S. INVESTMENT AND GREECE'S FULL EC MEMBERSHIP- BY THE END OF 1974 AMERICAN INVESTMENT IN GREECE UNDER BASIC FOREIGN INVESTMENT LAW 2687/53 WAS ABOUT \$385 MILLION, ABOUT 60 PERCENT OF TOTAL 2687 INVESTMENT (\$607 MILLION). MANUFACTURING VENTURES ACCOUNTED FOR 80 PERCENT OF TOTAL U.S. INVESTMENT, OIL EXPLORATION REPRESENTED 10 PERCENT OF TOTAL, MINING AND MINERAL PROCESSING 5 PERCENT, TOURIST PROJECTS 3 PERCENT, AND MISCELLANEOUS PROJECTS 2 PERCENT. MAJOR INVESTMENT PROJECTS IN THE INDUSTRIAL SECTOR INCLUDE THE ESSO-PAPPAS COMPLEX (OIL REFINERY, AMMONIA PLANT, STEAM CRACKER, CAUSTIC SODA/CHLORINE PLANT, SOLVENTS PLANT, PVC PLANT, AND PETROLEUM MARKETING FACILITIES); ETHYL CORPORATION'S PLANT FOR ANTI-KNOCK COMPOUNDS FOR GASOLINE AND OTHER CHEMICALS; GOODYEAR'S TIRE PLANT; ITT'S TELECOMMUNICATIONS EQUIPMENT AND SPARE PARTS PLANTS; PARSONS & WHITTEMORE'S STRAW PULP AND PAPER MILL; AND AMERICAN STANDARD'S SANITARY WARE AND REFRACTORY MATERIALS PLANTS. (SEE ATHENS A-144, MAY 25, 1974, FOR FURTHER DETAILS.) THERE IS ALSO A SUBSTANTIAL INFLOW OF U.S. CAPITAL INTO GREECE OUTSIDE LAW 2687. U.S. PETROLEUM COMPANIES OPERATING IN GREECE HAVE INVESTED MORE THAN \$50 MILLION IN

MARKETING FACILITIES. THE SIX U.S. BANKS THAT HAVE ESTABLISHED BRANCH OFFICES IN GREECE HAVE INVESTED ABOUT \$100 MILLION IN FOREIGN CAPITAL. FINALLY, SOME 60 U.S. FIRMS HAVE SET UP REGIONAL OFFICES IN GREECE UNDER LAW 89/67. THE EMBASSY DOES NOT CURRENTLY FORESEE ANY ADVERSE EFFECT ON U.S. INVESTMENT OPPORTUNITIES IN GREECE DUE TO EARLY FULL MEMBERSHIP. IN FACT, THE GOG'S AWARENESS THAT STRUCTURAL CHANGES ARE ESSENTIAL TO GREECE'S SUCCESSFUL COMPETITION

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WITHIN THE EC GIVES US REASON TO BELIEVE THAT MUTUALLY ADVANTAGEOUS FOREIGN INVESTMENT, WHICH WILL SERVE TO INTRODUCE NEW TECHNOLOGY AND MODERN MANAGEMENT PRACTICES, AS WELL AS MUCH-NEEDED CAPITAL, WILL BE ACTIVELY SOUGHT DURING THE NEXT DECADE AND PRESUMABLY BEYOND. GREECE WILL ALSO CONTINUE TO OFFER FOREIGN INVESTORS ADVANTAGES WHICH ALREADY EXIST: ITS GEOGRAPHICAL SITUATION AT THE CROSSROADS OF EUROPE AND THE NOUVEAUX RICHES OF THE MIDDLE EAST; ITS POTENTIAL FOR MINERALS AND PETROLEUM DISCOVERIES; AND, RELATIVE TO THE NINE, LOW-COST LABOR. IT IS POSSIBLE THAT SOME ALREADY ESTABLISHED VENTURES, BOTH DOMESTICALLY AND FOREIGN OWNED, MAY SUFFER ADVERSE EFFECTS FROM HEIGHTENED EC COMPETITION. AT THIS TIME IT APPEARS THAT THE GOG WILL DO ALL IT CAN TO MINIMIZE NEGATIVE EFFECTS OF EARLY MEMBERSHIP DURING TRANSITION PERIOD AND WE HAVE NO REASON TO BELIEVE THAT GOVERNMENT WOULD DISCRIMINATE AGAINST LOCALLY ESTABLISHED U.S. INVESTMENTS IN THE ADJUSTMENT PROCESS. IT IS WORTH NOTING THAT THE CARAMANLIS GOVERNMENT RECENTLY INTERVENED QUICKLY AND DECISIVELY WITH EC AUTHORITIES TO ASSIST LOCALLY ESTABLISHED U.S. AND ITALIAN TIRE COMPANIES IN ORDER TO CONTINUE EXPIRING INFANT INDUSTRY PROTECTION WHICH THE COMPANIES REGARDED AS ESSENTIAL.

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